

THE BOARD OF TRUSTEES OF THE  
COLLEGE SAVINGS PLANS OF NEVADA

MINUTES OF BOARD MEETING  
April 12, 2016

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Chairman Dan Schwartz, State Treasurer, called the meeting of the Board of Trustees of the College Savings Plans of Nevada to order at 2:00 p.m., on Tuesday, April 12, 2016. The meeting was held by conference call from the Nevada State Laxalt Building, 401 North Carson Street, 2<sup>nd</sup> Floor Chambers, Carson City, Nevada to the Grant Sawyer Building, 555 East Washington Avenue, Suite 5100, Las Vegas, Nevada. Other attendees participated in person or by conference call.

Board members present:

Chairman Dan Schwartz – Las Vegas  
Ned Martin – Las Vegas  
Bob Seale – Carson City  
Janet Murphy – Carson City  
Jamie Hullman – via telephone

Others present:

Tara Hagan, Chief Deputy Treasurer, Treasurer's Office  
Grant Hewitt, Chief of Staff, Treasurer's Office  
Linda J. English, Senior Deputy Treasurer – South  
Budd Milazzo, Senior Deputy Treasurer – North  
Sheila Salehian, Deputy Treasurer for Prepaid Tuition & Financial Literacy  
Shane Chesney, Nevada Attorney General's Office  
Michelle Ashcraft, Management Analyst, Treasurer's Office  
Amairani Gonzalez, Program Officer, Treasurer's Office  
Nicolette Johnston, Public Information Officer, Treasurer's Office  
Jeff Howkins, Ascensus College Savings  
Sue Serewicz, Ascensus College Savings  
George DuCasse, Ascensus College Savings  
Bennett Surajat, Wealthfront  
Ali Rosenthal, Wealthfront  
Jakub Jurek, Wealthfront  
Eric White, Pension Consulting Alliance  
James Canup, Hirschler Fleischer

Roll was taken, and it was determined a quorum was present. Ms. English indicated the meeting had been properly noticed and the agenda was posted in accordance with the Open Meeting Law in both Carson City and Las Vegas.

1. Public Comment

There was no public comment in Las Vegas or Carson City.

Consent Agenda

2. For possible action: Board review and approval of the College Savings Board minutes of March 24, 2016.

Ned Martin motioned to approve the consent agenda. Bob Seale seconded the motion. Motion approved unanimously.

Discussion Agenda

3. For possible action: Board review and approval of the Amplify contract amendment to provide education, outreach and promotional services for the Nevada College Savings Plans for Fiscal Year 2017.

Mr. Hewitt requested the Board review and approve a one-year renewal of the contract with Amplify Relations. He noted that the scope of the contract is now outlined to better fit the efforts of the Board and its education and outreach goals. He stated that an awareness study which was recently conducted indicated that 16% of Nevadans are now aware of the Nevada Savings Plans via the umbrella campaign. He noted that this number is after less than one year of the campaign as compared to awareness of the College Kick Start (CKS) program which was 16.4% after three years of education and outreach activities. Mr. Hewitt noted that staff is pleased with the awareness numbers to date. He explained that Amplify is planning to utilize new technology to create better awareness. He noted that if the Board approves the contract it will also need to be approved at the June, 2016, meeting of the Interim Finance Committee. The contract with Amplify Relations is a four year contract that requires Board approval each year.

Mr. Martin asked for clarification as to what changes would be made. Mr. Hewitt explained that the scope of the contract would be narrowed and budget lines would be established. The new contract will allow for overhead costs to be reduced. Mr. Seale inquired on how many Prepaid Tuition contracts were sold each year. Mr. Hewitt responded that approximately 900 contracts have been sold in this enrollment period but because the open enrollment period is still open staff does not have a final number. Janet Murphy asked to make correction on the first page of the contract, Item 1C: the word "to" needs to be changed to "from".

Janet Murphy motioned to approve Agenda Item 3. Bob Seale seconded the motion. Motion was approved unanimously.

4. For possible action: Board review and consent to the Wealthfront Private Label Product Agreement between Wealthfront and Ascensus to launch a new Section 529 college savings plans pursuant to the Direct Program Management Agreement; review and approve the resulting Wealthfront 529 Plan Description and Participation Agreement.

Mr. Hewitt introduced an agreement between Ascensus College Savings (Ascensus) and Wealthfront. He noted that the agreement, if approved by the Board, will provide another 529 plan to the suite of plans offered by the Board. Mr. Hewitt explained that in July 2015, Staff asked the Board for permission to explore new opportunities; the outcome was the Wealthfront 529 Plan. The Wealthfront 529 Plan will specifically target millennials as they are a growing market segment who tend to prefer different ways of investing than the traditional means.

Mr. Howkins, President of Ascensus College Savings, presented the Wealthfront 529 Plan to the Board. Ascensus explained that they researched the leaders of the automated investment advisor industry, and decided that Wealthfront was an industry leader in regards to its asset management and investment advisory model. Mr. Howkins explained that Wealthfront aligns with Ascensus' culture of innovation and focus on fiduciary responsibility, transparency as well as technology and client service. The process of choosing to partner with Wealthfront included a six month vetting process with Ascensus Risk Management, Technology and Information Security. As part of the due diligence review, Ascensus completed a separate compliance review which included a full verification of the Wealthfront compliance infrastructure and a review of its financials.

Ms. Rosenthal from Wealthfront briefed the Board on the history of Wealthfront. She stated that Wealthfront is a technology company in the investment advisory space. Wealthfront has achieved a rapid growth having achieved more than \$3 billion in assets under management in four years. Ms. Rosenthal explained that the Wealthfront 529 Plan is an advisor-sold plan with low fees and a personalized 529 experience. She noted that the advisory fees are 0.25% (25 basis points) which is the lowest in the 529 industry for any advisor plans. The Wealthfront 529 Plan will waive the Wealthfront Advisory Fees for Nevada residents for the first \$25,000 managed. She stated that Wealthfront uses passive underlying investment options (exchange-traded funds(ETFs)) with low management fees. The ETFs are diversified and highly liquid. The plan also offers 20 glide paths that reflect the individual's risk tolerance and the time to beneficiary's matriculation. Treasurer Schwartz mentioned that Nevada would be the first state to offer this type of program.

Mr. Martin asked Ascensus to walk through the services it will provide in relation to Wealthfront. Mr. Howkins noted that it will provide similar services as with the other 529 partners in Nevada, such as program management, record-keeping, trading and

custodial services. He stated that if discrepancies were to exist between Wealthfront data and Ascensus data, Ascensus is the official record-keeper and it has complete ownership over the data.

Mr. Seale wanted an explanation regarding how this plan would benefit Nevada. He also inquired if any additional staff would be needed to oversee this new 529 plan. Mr. Hewitt responded that this plan gives Nevadans a groundbreaking plan that specifically targets millennials. Ms. Hagan added that there would be additional fees for Pension Consulting Alliance (PCA) as they will perform the quarterly investment due diligence as well as the annual investment review. Ms. Hagan added that Staff was comfortable with the existing resources and would be able to manage an additional plan with the current resources.

Mr. Seale expressed his concern as to how many Nevadans would actually benefit from the Wealthfront 529 Plan. Mr. Hewitt replied that as part of the agreement, Wealthfront will provide a specific marketing plan and will work diligently over the course of the year to reach millennials in Nevada. Another benefit for Nevada residents is that the first \$25,000 invested will be free from the Wealthfront Advisory Fee. Staff noted the Board has requested a \$10,000 a year commitment from Wealthfront for education and outreach to find different and innovative ways to encourage Nevadans to save. Mr. Hewitt noted that the Treasurer's Office is committed to doing everything it can to create a culture of savings and a culture of education in Nevada and believe this plan provides a new way for Nevadan's to save.

Mr. Seale asked if the revenues received from Wealthfront would cover the Nevada expenses. Mr. Hewitt assured the Board that the expenses will be covered with the revenue outlined in the contract.

Mr. Seale also asked if the existing 529 partners were comfortable with the Wealthfront 529 Plan. Mr. Hewitt responded that Staff spoke to all of their partners before the agenda was posted to ensure that the partners were not caught off guard and Staff was able to fully answer any questions or concerns. He noted that none of the partners expressed any concern and they congratulated Staff.

Mr. Seale inquired about Wealthfront's financial statements. Mr. Howkins, Ascensus College Savings, stated that they have reviewed high level factors such as their asset growth, structure of their management team and their confidential financial information. Mr. Howkins explained that its due diligence discovered that Wealthfront is well capitalized. Mr. Seale wanted to know if they were publically traded and Mr. Howkins stated they are not; they are privately owned. Mr. Seale wanted to know if Wealthfront's financial statements were audited annually and Ms. Rosenthal responded that Wealthfront has an internal audit as well as an outside firm audit Wealthfront's financial statements annually.

Mr. Martin asked Ms. Rosenthal for some reconciliation of terminology regarding its advisory component and how the advice is being offered. Ms. Rosenthal noted that Wealthfront offers an advisory component on all of its products. She noted by automating sophisticated services that traditionally require clients to call or visit in-person it can bring the advisory expertise to many clients and keep costs low.

Mr. Seale stated he was uncomfortable with two issues. Wealthfront is a very young company, and he doesn't think there is enough financial information about the company. Ms. Rosenthal agreed they are a young company but they are well financed and they've had excellent growth financially. She noted that Wealthfront is a privately held company and are currently valued at \$700 million dollars which internal and external auditors have vetted.

Ned Martin asked where the clients' money would be held and Ms. Rosenthal and Mr. Hewitt stated that it's would be held with Ascensus. Mr. Martin asked if Wealthfront had financial issues would client monies in the 529 plan be subject to any general creditors. Ms. Rosenthal responded that clients' monies in the accounts are not subject to any financial downturn or general creditors and are fully protected. Mr. Martin wanted to know that if there were to be financial issues concerning Wealthfront, not only is the money protected but does the client communicate then with Ascensus in this situation or Wealthfront. Mr. Howkins answered that client would be communicating with Ascensus as the program manager for the plan.

Mr. Martin asked, if Wealthfront closes its doors will the client be able to determine where their money is and will their accounts continue to look the same. Mr. Howkins, with Ascensus answered yes, the accounts will be held with Ascensus and will have the same look and feel. Mr. Martin wanted clarification that Wealthfront is providing an automated advisory service in order to determine allocations and that client accounts are protected from Wealthfront's financials. Ms. Rosenthal agreed and stated that as an investment advisor they are regulated by the Securities and Exchange Commission and are held to a fiduciary standard and feel very comfortable upholding this standard. Mr. Seale stated that the Board asks these questions because they have a higher degree of fiduciary responsibility to the citizens of Nevada but also of any plan participant across the country where these products are being sold. He notes that the Board has an obligation to look at this as hard as they possibly can to make sure that they're comfortable before they take any steps if they're not clear on what exactly is happening. Mr. Howkins added that they also have a fiduciary responsibility as a program manager, so there is another layer of responsibility that they have to ensure transparency and to ensure that Wealthfront is compliant with all the regulations.

Treasurer Schwartz asked Mr. Seale what he was uncomfortable with regarding the plan. Mr. Seale stated he was uncomfortable with the limited financial information with Wealthfront and he would like to see more of Wealthfront's financial background. Treasurer Schwartz explained that the citizens of Nevada will not be investing their

money in Wealthfront rather their money will be held with Ascensus and if something were to happen to Wealthfront, the clients' assets would not be jeopardized.

Mr. Seale asked who guarantees the start-up funds and annual Board fee. Mr. Hewitt replied the \$100,000 annual fee is contractually obligated. Treasurer Schwartz stated that he was more than comfortable stating there would be no financial risks to Nevada parents who invest in the Wealthfront plan should Wealthfront have financial difficulties. Mr. Hewitt stated Wealthfront will have to follow the same operating procedures just as all the other plans.

Mr. Hewitt stated that staff has one request to add to the motion. We would like to ask the Board to add to the motion that the plan cannot launch live until State staff has approved all the materials, timing of the launch and all other aspects of bringing the plan live.

Bob Seale requested a three minute recess.

Treasurer Schwartz called for a motion. Mr. Martin motioned to approve. Jamie Hullman seconded the motion.

Mr. Seale stated he continues to be concerned with the timeframe Wealthfront has been in existence and the lack of formal financial statements.

Treasurer Schwartz stated that the Treasurer's Office trusts and relies on Ascensus for all of our 529 programs. Eric White with Pension Consulting Alliance (PCA) commented that the burden does really fall on Ascensus and as a Board, if you have confidence in Ascensus he suggested that the Board should rely with its recommendation. Mr. Martin made a comment regarding page 2 of PCA's due diligence document which noted that PCA has made the recommendation to adopt the proposal. Treasurer Schwartz called for a vote and all Board members were in favor with the exception of Bob Seale who opposed. Motion carries.

Grant Hewitt thanked the Board for their approval on behalf of State Staff.

##### 5. Public Comment

No public comment in Carson City, NV; no public comment in Las Vegas, NV; and no public comment on conference call.

Meeting adjourned at 3:53PM. Attest:

A handwritten signature in cursive script, appearing to read "Linda English", is written over a horizontal line.

Linda English, Secretary to the Board